

CITY OF ALTON, IOWA
Alton, Iowa

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION AND
SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended
June 30, 2010

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CITY OF ALTON, IOWA

OFFICIALS

| Name | Title | Term Expires |
|---------------------|--------------------|---------------------|
| Ron Minten | Mayor | January, 2013 |
| Blake Bengard | Mayor Pro-Tem | January, 2013 |
| Leon Kleinhesselink | Council Member | January, 2011 |
| John Menning | Council Member | January, 2013 |
| Jerry De Witt | Council Member | January, 2013 |
| Steve Zenor | Council Member | January, 2011 |
| Dale Oltmans | City Administrator | January, 2011 |
| Mary Kruizenga | Deputy Clerk | January, 2011 |
| Brad DeJong | Attorney | January, 2011 |



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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Alton, Iowa
Alton, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Alton, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Alton, as of June 30, 2010 and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2010 on our consideration of the City of Alton's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 8 and 21 and 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in

accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Alton's financial statements as a whole. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Williams Company, P.C.
Certified Public Accountants

December 7, 2010
Le Mars, Iowa

CITY OF ALTON, IOWA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010

The City of Alton provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- Receipts of the General Fund decreased \$23,364 from fiscal year 2009 to fiscal 2010.
- Disbursements of the General Fund decreased \$105,177 in fiscal year 2010 from fiscal year 2009.
- The City's total General Fund cash basis net assets decreased \$132,708 from June 30, 2009 to June 30, 2010.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The City's Basic Financial Statements consist of a Government Wide Statement of Activities and Net Assets – Cash Basis, and Statements of Cash Receipts and Disbursements for Governmental Funds and Proprietary Funds. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the City's funds.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items, and is another comprehensive basis of accounting. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets – Cash Basis reports information which helps answer this question.

The statement of activities and net assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities and net assets is divided into two kinds of activities:

- Governmental activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, and capital projects. Property tax and state and federal grants and charges for services finance most of these activities.
- Business-type activities include the electric, water, sewer and gas. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, and 4) the Capital Projects Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The city maintains four Enterprise Funds to provide separate information for the Water Fund, Electric Fund, Sewer Fund and Gas Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, to \$954,198 from \$790,229. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

| | Year Ended June 30, | |
|--|---------------------|-------------------|
| | 2010 | 2009 |
| Receipts: | | |
| Program Receipts: | | |
| Charges for Service..... | \$ 274,062 | \$ 175,130 |
| Operating Grants & Contributions | 136,329 | 155,221 |
| General Receipts | | |
| Property Tax..... | 361,595 | 374,802 |
| Tax Increment Financing Collections | 340,020 | 407,675 |
| Local Option Sales Tax | 112,859 | 121,934 |
| Interest | 22,501 | 17,054 |
| Other General Receipts..... | 30,404 | 28,284 |
| Sale of Capital Assets | - | 3,000 |
| Proceeds from Debt..... | 1,407,560 | - |
| Total Receipts | <u>2,685,330</u> | <u>1,283,100</u> |
| Disbursements: | | |
| Public Safety | 143,285 | 150,458 |
| Public Works | 191,380 | 231,035 |
| Health and Social Services..... | 400 | 2,500 |
| Culture and Recreation..... | 136,573 | 118,510 |
| Community and Economic Development..... | 90,236 | 210,171 |
| General Government..... | 94,876 | 63,142 |
| Debt Service..... | 963,210 | 308,518 |
| Capital Projects | 761,105 | 82,390 |
| Total Disbursements | <u>2,381,065</u> | <u>1,166,724</u> |
| Increase in Cash Basis Net Assets Before Transfers | 304,265 | 116,376 |
| Net Transfers..... | (140,296) | (164,710) |
| Cash Basis Net Assets – Beginning of Year | 790,229 | 838,563 |
| Cash Basis Net Assets – End of Year | <u>\$ 954,198</u> | <u>\$ 790,229</u> |

Changes in Cash Basis Net Assets of Business Type Activities

| | Year Ended June 30, | |
|---|---------------------|---------------------|
| | 2010 | 2009 |
| Receipts: | | |
| Operating Receipts: | | |
| Water..... | \$ 205,470 | \$ 209,172 |
| Electric..... | 828,449 | 738,811 |
| Sewer | 104,400 | 102,003 |
| Gas..... | 891,518 | 55,238 |
| Interest | 41,408 | 47,686 |
| Proceeds from Debt | - | 680,000 |
| Total Receipts | <u>2,071,245</u> | <u>1,832,910</u> |
| Disbursements: | | |
| Operating Disbursements: | | |
| Water..... | 208,944 | 181,107 |
| Electric..... | 855,555 | 743,438 |
| Sewer | 109,645 | 111,270 |
| Gas..... | 737,714 | 679,010 |
| Total disbursements | <u>1,911,858</u> | <u>1,714,825</u> |
| Net Change in Cash Basis Net Assets, Before Transfers | 159,387 | 118,085 |
| Net Transfers..... | 140,296 | 164,710 |
| Cash Basis Net Assets – Beginning of Year | 1,445,164 | 1,162,369 |
| Cash Basis Net Assets – End of Year | <u>\$ 1,744,847</u> | <u>\$ 1,445,164</u> |

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Alton completed the year, its governmental funds reported a combined fund balance of \$954,198 an increase of \$163,969 over last year's total of \$790,229. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The City refunded \$23,978 to Vision Iowa for proceeds received from a CAT grant for construction of the Library/Museum in 2003.
- Industrial Park expenses decreased by \$42,202 because Industrial Park sewer improvements were completed during fiscal year 2009.
- Collected Special Assessments in the 10th Street Capital Project Fund for \$72,026, no assessments were reported in 2009. The 10th Street fund also reported \$707,723 for proceeds from debt which contributed to a cash increase of \$44,312 within the fund.
- Residential Development lot sales increased by \$54,843 which caused an \$11,456 cash increase within the fund.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

As the City of Alton completed the year, its business type funds reported a combined fund balance of \$1,784,847 an increase of \$299,683 over last year's total of \$1,445,164. The following are the major reasons for the changes in fund balances of the business type funds from the prior year.

- The Water Fund cash balance increased by \$27,096 to \$371,384.
- The Electric Fund cash balance increased by \$65,924 to \$736,018.
- The Sewer Fund cash balance increased by \$48,514 to \$356,706.
- The Gas Fund cash balance increased by \$158,149 to \$280,739.

These increases are due primarily to increased receipts, transfers from TIF funds and the first full year of the gas utility.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget twice. These amendments were approved on June 1, 2010 and June 3, 2010 and resulted in an increase in budgeted receipts of \$131,052 and an increase in budgeted disbursements of \$2,077,705.

DEBT ADMINISTRATION

A comparison of the City's debt outstanding at June 30, 2010 to June 30, 2009 follows:

| | Year Ended June 30, | |
|---------------------------|---------------------|---------------------|
| | 2010 | 2009 |
| G.O. Bonds and Notes..... | \$ 2,330,000 | \$ 1,795,000 |
| Water Revenue Bonds..... | 89,000 | 95,000 |
| Gas Revenue Bonds..... | 680,000 | 680,000 |
| Total | <u>\$ 3,099,000</u> | <u>\$ 2,570,000</u> |

ECONOMIC FACTORS

The City expanded about 1,500' of natural gas distribution and converted the overhead electric distribution to underground along the southern most portion of 1st Avenue.

The City expanded 900' of water and wastewater distribution along Third Avenue to an existing business as well as to service an area for potential commercial/industrial development.

The City purchased a \$59,367 trencher for the natural gas and electric utilities.

The City completed a crack sealing project along Third Avenue. (former Highway 60)

The City worked with a party to purchase and operate the local restaurant which was closed. The City will use financial incentives to help a new owner with start up.

The City developed Fairview Meadows Housing development funding it with loans from the City's utilities. Two lots sold recently and a new home is currently being constructed on a third lot. This leaves only three lots left from 24 lots.

The City of Alton has acquired 30 acres of land for housing. The City paid for \$50,000 of engineering for Fairview Meadows Second Addition; the land and engineering will be transferred along with \$300,000 cash to the Alton Economic Development Corporation, as a part of a development agreement between the two parties. The AEDC will develop Fairview Meadows Second Addition, with expense being reimbursed through TIF. Any proceeds in excess of expense will be used for economic development within Alton, in the future. The City of Alton maintains an Option for Purchase of an additional 45.53 acres adjacent to Fairview Meadows Second Addition.

The City maintains an Option for Purchase of 15 more acres of developed property within the Industrial Park. All streets and infrastructure are in place.

The City recently completed water and wastewater rate studies. Overall water rates will increase 4.6% in 2010, and 4.5% in 2011. Overall wastewater rates will increase 10.3% in 2010, 9.6% in 2011 and 8.7% in 2012. Rates will increase due to rate structure change, as well as to maintain reserve levels to adequately support operation and maintenance of the water and wastewater systems.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, contact Dale Oltmans, City Administrator, Alton, Iowa.

CITY OF ALTON, IOWA
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
For the Year Ended June 30, 2010

| Functions/Programs | Disbursements | Program Receipts | |
|------------------------------------|---------------------|----------------------|------------------------------------|
| | | Charges for Services | Operating Grants and Contributions |
| Primary Government: | | | |
| Governmental Activities: | | | |
| Public Safety | \$ 143,285 | \$ 20,304 | \$ - |
| Public Works | 191,380 | 233,754 | 107,000 |
| Health and Social Services | 400 | - | - |
| Culture and Recreation | 136,573 | 8,854 | - |
| Community and Economic Development | 90,236 | - | 29,329 |
| General Government | 94,876 | 11,150 | - |
| Capital Outlay | 761,105 | - | - |
| Debt Service: | | | |
| Principal | 870,200 | - | - |
| Interest | 93,010 | - | - |
| Total Governmental Activities | <u>2,381,065</u> | <u>274,062</u> | <u>136,329</u> |
| Business-Type Activities: | | | |
| Electric Utility | 855,555 | 828,449 | - |
| Sewer Utility | 109,645 | 104,400 | - |
| Water Utility | 208,944 | 205,470 | - |
| Gas Utility | 737,714 | 891,518 | - |
| Total Business-Type Activities: | <u>1,911,858</u> | <u>2,029,837</u> | <u>-</u> |
| Total Primary Government | <u>\$ 4,292,923</u> | <u>\$ 2,303,899</u> | <u>\$ 136,329</u> |

General Receipts:
Property taxes
Tax Increment Financing
Local Option Sales Tax
Interest
Miscellaneous
Proceeds from Financing
Interfund Transfers
Total general receipts and transfers
Change in cash basis net assets
Net assets cash basis - beginning
Net assets cash basis - ending

Cash Basis Net Assets
Restricted:
Streets
Urban Renewal Purpose
Debt Service
Capital Projects
Local Option Sales Tax
Employee Benefits
Unrestricted
Total Cash Basis Net Assets

| Net (Disbursements) Receipts and Changes in Net Assets | | |
|---|-----------------------------|---------------------|
| Governmental Activities | Business-Type Activities | Total |
| \$ (122,981) | | \$ (122,981) |
| 149,374 | | 149,374 |
| (400) | | (400) |
| (127,719) | | (127,719) |
| (60,907) | | (60,907) |
| (83,726) | | (83,726) |
| (761,105) | | (761,105) |
| (870,200) | | (870,200) |
| (93,010) | | (93,010) |
| <u>(1,970,674)</u> | | <u>(1,970,674)</u> |
| | \$ (27,106) | (27,106) |
| | (5,245) | (5,245) |
| | (3,474) | (3,474) |
| | 153,804 | 153,804 |
| | <u>117,979</u> | <u>117,979</u> |
| <u>(1,970,674)</u> | <u>117,979</u> | <u>(1,852,695)</u> |
| 361,595 | - | 361,595 |
| 340,020 | - | 340,020 |
| 112,859 | - | 112,859 |
| 22,501 | 41,408 | 63,909 |
| 30,404 | - | 30,404 |
| 1,407,560 | - | 1,407,560 |
| <u>(140,296)</u> | <u>140,296</u> | <u>-</u> |
| <u>2,134,643</u> | <u>181,704</u> | <u>2,316,347</u> |
| 163,969 | 299,683 | 463,652 |
| 790,229 | 1,445,164 | 2,235,393 |
| <u>954,198</u> | <u>1,744,847</u> | <u>2,699,045</u> |
| 79,370 | - | 79,370 |
| 37,480 | - | 37,480 |
| 65,725 | 73,235 | 138,960 |
| 417,463 | - | 417,463 |
| 112,859 | - | 112,859 |
| 23,980 | - | 23,980 |
| 217,321 | 1,671,612 | 1,888,933 |
| <u>\$ 954,198</u> | <u>\$ 1,744,847</u> | <u>\$ 2,699,045</u> |

See Accompanying Notes to Financial Statements

CITY OF ALTON, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
Governmental Funds
For the Year Ended June 30, 2010

| | General | Special Revenue Tax Increment Financing |
|--|------------|---|
| Receipts: | | |
| Property Taxes | \$ 226,228 | \$ - |
| TIF Revenue | - | 277,342 |
| Licenses and Permits | 10,695 | - |
| Intergovernmental | 9,838 | - |
| Charges for Services | 74,467 | - |
| Sale of Lots | - | - |
| Fines | 1,243 | - |
| Special Assessments | - | - |
| Rental of City Property | 6,292 | - |
| Interest on Investments | 10,214 | 1,937 |
| Miscellaneous | 18,735 | - |
| Total Receipts | 357,712 | 279,279 |
| Disbursements: | | |
| Public Safety | 143,285 | - |
| Public Works | 93,837 | - |
| Health and Social Services | - | - |
| Culture and Recreation | 129,382 | - |
| Community and Economic Development | 20,981 | 3,341 |
| General Government | 75,637 | - |
| Capital Outlay | - | - |
| Debt Service: | | |
| Principal Retirement | - | - |
| Interest | - | - |
| Total Disbursements | 463,122 | 3,341 |
| Excess (Deficiency) of Receipts to Disbursements | (105,410) | 275,938 |
| Other financing sources (uses): | | |
| Proceeds from Debt Financing | - | - |
| Transfers In | 16,914 | - |
| Transfers Out | (44,212) | (294,697) |
| Total other financing sources (uses) | (27,298) | (294,697) |
| Net Change in Cash Balances | (132,708) | (18,759) |
| Cash Balances (Deficits) Beginning of Year | 350,029 | 41,079 |
| Cash Balances End of Year | 217,321 | 22,320 |
| Cash Basis Fund Balances: | | |
| Reserved for Debt Service | - | - |
| Unreserved: | | |
| General Fund | 217,321 | - |
| Special Revenue Funds | - | 22,320 |
| Capital Project Fund | - | - |
| | \$ 217,321 | \$ 22,320 |

See Accompanying Notes to Financial Statements

| Capital Project | | Debt Service | Other Nonmajor Governmental Funds | Total Governmental Funds |
|----------------------------|-------------|-----------------|---|--------------------------------|
| Residential Development | 10th Street | | | |
| \$ - | \$ - | \$ 120,340 | \$ 15,027 | \$ 361,595 |
| - | - | - | 62,678 | 340,020 |
| - | - | - | - | 10,695 |
| - | - | - | 249,188 | 259,026 |
| - | - | - | - | 74,467 |
| 82,965 | - | - | - | 82,965 |
| - | - | - | - | 1,243 |
| - | 72,026 | 16,536 | - | 88,562 |
| - | - | - | - | 6,292 |
| 8,312 | - | 1,962 | 76 | 22,501 |
| - | - | - | 11,669 | 30,404 |
| 91,277 | 72,026 | 138,838 | 338,638 | 1,277,770 |
| - | - | - | - | 143,285 |
| - | - | 7,493 | 90,050 | 191,380 |
| - | - | 400 | - | 400 |
| - | - | - | 7,191 | 136,573 |
| 54,699 | - | 4,575 | 6,640 | 90,236 |
| - | - | - | 19,239 | 94,876 |
| - | 728,867 | - | 32,238 | 761,105 |
| - | - | 870,200 | - | 870,200 |
| - | - | 93,010 | - | 93,010 |
| 54,699 | 728,867 | 975,678 | 155,358 | 2,381,065 |
| 36,578 | (656,841) | (836,840) | 183,280 | (1,103,295) |
| - | 707,723 | 699,837 | - | 1,407,560 |
| - | - | 166,798 | 91,321 | 275,033 |
| - | (6,570) | - | (69,850) | (415,329) |
| - | 701,153 | 866,635 | 21,471 | 1,267,264 |
| 36,578 | 44,312 | 29,795 | 204,751 | 163,969 |
| 294,144 | (37,645) | 35,930 | 106,692 | 790,229 |
| 330,722 | 6,667 | 65,725 | 311,443 | 954,198 |
| - | - | 65,725 | - | 65,725 |
| - | - | - | - | 217,321 |
| - | - | - | 231,369 | 253,689 |
| 330,722 | 6,667 | - | 80,074 | 417,463 |
| \$ 330,722 | \$ 6,667 | \$ 65,725 | \$ 311,443 | \$ 954,198 |

See Accompanying Notes to Financial Statements

CITY OF ALTON, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
Proprietary Funds
For the Year Ended June 30, 2010

| | Enterprise Funds | |
|---|-----------------------------|--------------------------|
| | Electric Utility | Water Utility |
| Operating Receipts: | | |
| Charges for Services | \$ 828,449 | \$ 205,470 |
| Total Operating Receipts | <u>828,449</u> | <u>205,470</u> |
| Operating Disbursements: | | |
| Operating Disbursements | 795,592 | 186,385 |
| Capital Outlay | 59,963 | 13,709 |
| Total Operating Disbursements | <u>855,555</u> | <u>200,094</u> |
| Excess (Deficiency) of Receipts Over Disbursements | <u>(27,106)</u> | <u>5,376</u> |
| Non-Operating Receipts (Disbursements): | | |
| Interest Income | 18,385 | 9,597 |
| Interest Expense | - | (2,850) |
| Principal Payments | - | (6,000) |
| Total Non-Operating Receipts (Disbursements) | <u>18,385</u> | <u>747</u> |
| Excess (Deficiency) of Receipts Over Disbursements | <u>(8,721)</u> | <u>6,123</u> |
| Transfers In | 102,096 | 20,973 |
| Transfers Out | <u>(27,451)</u> | <u>-</u> |
| Change in Cash Balances | 65,924 | 27,096 |
| Cash Balances Beginning of Year | <u>670,094</u> | <u>344,288</u> |
| Cash Balances End of Year | <u><u>736,018</u></u> | <u><u>371,384</u></u> |
| Cash Basis Net Assets | | |
| Reserved for Debt Service | - | 723 |
| Unreserved | 736,018 | 370,661 |
| Total Cash Basis Net Assets | <u><u>\$ 736,018</u></u> | <u><u>\$ 371,384</u></u> |

| Enterprise Funds | | |
|------------------|----------------|--------------|
| Sewer Utility | Gas Utility | Total |
| \$ 104,400 | \$ 891,518 | \$ 2,029,837 |
| 104,400 | 891,518 | 2,029,837 |
| 95,936 | 663,693 | 1,741,606 |
| 13,709 | 26,435 | 113,816 |
| 109,645 | 690,128 | 1,855,422 |
| (5,245) | 201,390 | 174,415 |
| 9,081 | 4,345 | 41,408 |
| - | (47,586) | (50,436) |
| - | - | (6,000) |
| 9,081 | (43,241) | (15,028) |
| 3,836 | 158,149 | 159,387 |
| 44,678 | - | 167,747 |
| - | - | (27,451) |
| 48,514 | 158,149 | 299,683 |
| 308,192 | 122,590 | 1,445,164 |
| 356,706 | 280,739 | 1,744,847 |
| - | 72,512 | 73,235 |
| 356,706 | 208,227 | 1,671,612 |
| \$ 356,706 | \$ 280,739 | \$ 1,744,847 |

See Accompanying Notes to Financial Statements

CITY OF ALTON, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Alton is a political subdivision of the State of Iowa located in Sioux County. It was first incorporated in 1883 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, health and social services, community and economic development and general government services. The City also provides water, sewer, electrical, and natural gas utilities for its citizens.

A. Reporting Entity

For Financial reporting purposes, the City of Alton has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City of Alton has no component units.

Jointly Governed Organizations

The City also participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following boards and commissions: County Emergency Management Commission, Northwest Iowa Solid Waste, Northwest Iowa Economic Development Coalition, and Northwest Iowa Regional Housing Authority.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. The effect of interfund activity has been removed from these statements. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

CITY OF ALTON, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

Tax Increment Financing Fund is used to account for urban renewal projects financed by tax increment financing.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

Capital Project:

Residential Development Fund is utilized to account for the development of Fairview Meadows housing subdivision.

10th Street Fund is utilized to account for the improvement of 10th Street.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Electric Fund accounts for the operation and maintenance of the City's electric system.

The Gas Fund accounts for the operation and maintenance of the City's gas system.

CITY OF ALTON, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting

The City of Alton maintains its financial records on the basis of cash receipts and disbursements which is an other comprehensive basis of accounting and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and other accrued items as well as fixed assets. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements exceeded the amount budgeted in Community and Economic Development and Debt Service functions.

Note 2 – CASH AND POOLED INVESTMENTS

The City's deposits at June 30, 2010 were entirely covered by Federal depository insurance, or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments at June 30, 2010; however the City's time deposits were as follows:

| | Maturities | |
|---------------------------------------|-----------------------------|-------------------|
| Nonnegotiable Certificates of Deposit | <u>7/12/2010 - 4/6/2011</u> | <u>\$ 389,405</u> |

Interest Rate Risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

NOTE 3 – BONDS AND NOTES PAYABLE

The City's computed legal debt limit as of June 30, 2010, is \$3,123,281 of which \$2,330,000 is committed for outstanding general obligation debt.

CITY OF ALTON, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 3 – BONDS AND NOTES PAYABLE (CONTINUED)

The following is a summary of bond transactions of the City for the year ended June 30, 2010:

| | Governmental Activities | Business-Type Activities |
|---------------------------------------|---|---|
| | Bonds and Notes Payable by Debt Service Fund | Bonds and Notes Paid by Enterprise Funds |
| Primary Government | | |
| Bonds and notes payable July 1, 2009 | \$ 1,795,000 | \$ 775,000 |
| Plus: bonds and notes issued | 1,405,000 | - |
| Less: payments | (870,000) | (6,000) |
| Bonds and notes payable June 30, 2010 | <u>\$ 2,330,000</u> | <u>\$ 769,000</u> |
| Due within one year | <u>\$ 290,000</u> | <u>\$ 6,000</u> |

The City of Alton had the following outstanding bonds as of June 30, 2010:

| Bond/Note | Date of Issue | Interest Rate | Final Due Date | Annual Payments | Amount Originally Issued | Outstanding June 30, 2010 | Due Within One Year |
|-------------------------------------|--------------------------|--------------------------|-------------------------------|------------------------|---|--|--------------------------------|
| General Obligation- Series 2009A | 09/23/09 | 3.00-4.05% | 2020 | \$55,000 - \$85,000 | \$ 725,000 | \$ 725,000 | \$ 55,000 |
| General Obligation- Series 2010 | 06/01/10 | 1.5-3.05% | 2017 | \$70,000 - \$150,000 | 680,000 | 680,000 | 150,000 |
| General Obligation- Hospital | 11/14/05 | 3.40-4.85% | 2025 | \$20,000 - \$35,000 | 500,000 | 420,000 | 20,000 |
| General Obligation- Paving | 06/26/07 | 4.00-4.45% | 2017 | \$60,000 - \$80,000 | 685,000 | 505,000 | 65,000 |
| Water Revenue Bond | 10/15/03 | 3.00% | 2023 | \$5,000 - \$8,000 | 125,000 | 89,000 | 6,000 |
| Gas Revenue Bond | 03/24/09 | 5.90% | 2029 | \$20,000 - \$60,000 | 680,000 | 680,000 | - |
| Total Bonds Due | | | | | <u>\$ 3,395,000</u> | <u>\$ 3,099,000</u> | <u>\$ 296,000</u> |

Annual debt service requirements to maturity of General Obligation Bonds and Notes, revolving loan fund loans, special assessment notes and Revenue Capital Loan Notes are as follows:

| Year Ending June 30 | Series 2009A 10th Street Bond | | Series 2010 GO Bond | | Hospital Project Bond | | Industrial Park Paving Bond | | Total Governmental | |
|--------------------------------|---|------------------|--------------------------------|-----------------|----------------------------------|------------------|--|-----------------|---------------------------|------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2011 | \$ 55,000 | \$25,080 | \$ 150,000 | \$15,589 | \$20,000 | \$18,903 | \$65,000 | \$21,755 | \$290,000 | \$ 74,201 |
| 2012 | 65,000 | 23,430 | 140,000 | 12,140 | 20,000 | 18,133 | 65,000 | 19,058 | 290,000 | 66,613 |
| 2013 | 65,000 | 21,480 | 130,000 | 9,690 | 20,000 | 17,333 | 70,000 | 16,328 | 285,000 | 58,140 |
| 2014 | 65,000 | 19,400 | 60,000 | 7,090 | 25,000 | 16,513 | 70,000 | 13,353 | 220,000 | 49,515 |
| 2015 | 70,000 | 17,320 | 60,000 | 5,680 | 25,000 | 15,463 | 75,000 | 10,343 | 230,000 | 40,845 |
| 2016-2020 | 405,000 | 47,850 | 140,000 | 6,406 | 140,000 | 60,135 | 160,000 | 10,640 | 845,000 | 105,320 |
| 2021-2025 | - | - | - | - | 170,000 | 24,880 | - | - | 170,000 | 32,643 |
| Total | <u>\$725,000</u> | <u>\$154,560</u> | <u>\$680,000</u> | <u>\$56,595</u> | <u>\$420,000</u> | <u>\$171,360</u> | <u>\$505,000</u> | <u>\$91,477</u> | <u>\$2,330,000</u> | <u>\$427,277</u> |

CITY OF ALTON, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 3 – BONDS AND NOTES PAYABLE (CONTINUED)

| Year Ending June 30 | Gas Utility Revenue Note | | Water Revenue Bond | | Total Business Type Funds | |
|------------------------|-----------------------------|------------|-----------------------|----------|------------------------------|-----------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2011 | \$ - | \$ 40,120 | \$ 6,000 | \$ 2,670 | \$ 6,000 | \$ 42,790 |
| 2012 | 20,000 | 40,120 | 6,000 | 2,490 | 26,000 | 42,610 |
| 2013 | 25,000 | 38,940 | 6,000 | 2,310 | 31,000 | 41,250 |
| 2014 | 25,000 | 37,465 | 6,000 | 2,130 | 31,000 | 39,595 |
| 2015 | 25,000 | 35,990 | 6,000 | 1,950 | 31,000 | 37,940 |
| 2016 – 2020 | 160,000 | 154,580 | 35,000 | 6,750 | 195,000 | 161,330 |
| 2021 – 2025 | 205,000 | 102,660 | 24,000 | 1,440 | 229,000 | 104,100 |
| 2026 – 2030 | 220,000 | 33,335 | - | - | 220,000 | 33,335 |
| Total | \$ 680,000 | \$ 483,210 | \$ 89,000 | \$9,740 | \$ 769,000 | \$502,950 |

NOTE 4 – PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

The City's payroll for employees covered by the System for the year ended June 30, 2010 was \$302,306. The total City payroll for the fiscal year was \$342,172. All full-time City employees are eligible to participate in IPERS. Benefits vest after 4 years (or 16 quarters) of service or when the employee attains the age of 55, whichever comes first. Employees are eligible to retire at or after age 55 and are entitled to an annual retirement benefit, payable monthly for life, in an amount calculated on an average of their highest 3 year average salary. IPERS also provides death and disability benefits.

Most regular plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% of annual covered payroll. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$20,053, \$18,323, and \$16,070, respectively, equal to the required contributions for each year.

NOTE 5 – RISK MANAGEMENT

The City of Alton is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City of Alton assumes liability for any deductibles and claims in excess of coverage limitations. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

CITY OF ALTON, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 6 – INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2010, is as follows:

| Transfers In | Transfers Out General | TIF | 10th Street | Nonmajor Governmental | Electric | Total |
|---------------------|--------------------------------------|------------|-----------------------------------|----------------------------------|-----------------|--------------|
| General | \$ - | \$ - | \$ - | \$ 6,480 | \$ 10,434 | \$16,914 |
| Debt Service | - | 160,228 | 6,570 | - | - | 166,798 |
| Nonmajor | | | | | | |
| Governmental | 44,212 | - | - | 30,092 | 17,017 | 91,321 |
| Electric | - | 81,738 | - | 20,358 | - | 102,096 |
| Water | - | 9,228 | - | 11,745 | - | 20,973 |
| Sewer | - | 43,503 | - | 1,175 | - | 44,678 |
| Total | \$ 44,212 | \$ 294,697 | \$ 6,570 | \$ 69,850 | \$ 27,451 | \$442,780 |

Transfers are used to:

1. Move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.
2. Move revenues restricted to debt service from the fund collecting the revenues to the debt service fund as debt service payments become due.

CITY OF ALTON, IOWA
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS,
DISBURSEMENTS AND CHANGES IN BALANCES BUDGET AND ACTUAL
(CASH BASIS)- ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
For the Year Ended June 30, 2010

| | Governmental Funds Actual | Proprietary Funds Actual | Total Actual | Budgeted Amounts | | Final to Net Variance |
|--|---------------------------------|--------------------------------|-----------------|------------------|-------------|-----------------------------|
| | | | | Original | Final | |
| Receipts: | | | | | | |
| Property Taxes | \$ 361,595 | \$ - | \$ 361,595 | \$ 359,157 | \$ 359,157 | \$ 2,438 |
| TIF Revenue | 340,020 | - | 340,020 | 338,615 | 338,615 | 1,405 |
| Licenses and Permits | 10,695 | - | 10,695 | 10,200 | 10,200 | 495 |
| Intergovernmental | 259,026 | - | 259,026 | 390,803 | 390,803 | (131,777) |
| Charges for Services | 74,467 | 2,029,837 | 2,104,304 | 1,314,283 | 1,445,335 | 658,969 |
| Sale of Lots | 82,965 | - | 82,965 | - | - | 82,965 |
| Fines and Forfeits | 1,243 | - | 1,243 | - | - | 1,243 |
| Special Assessments | 88,562 | - | 88,562 | 3,900 | 3,900 | 84,662 |
| Rental of City Property | 6,292 | - | 6,292 | - | - | 6,292 |
| Interest on Investments | 22,501 | 41,408 | 63,909 | 70,534 | 70,534 | (6,625) |
| Miscellaneous | 30,404 | - | 30,404 | 6,000 | 6,000 | 24,404 |
| Total Receipts | 1,277,770 | 2,071,245 | 3,349,015 | 2,493,492 | 2,624,544 | 724,471 |
| Disbursements | | | | | | |
| Public Safety | 143,285 | - | 143,285 | 154,371 | 159,771 | 16,486 |
| Public Works | 191,380 | - | 191,380 | 194,737 | 219,587 | 28,207 |
| Health and Social Services | 400 | - | 400 | 1,000 | 1,000 | 600 |
| Culture and Recreation | 136,573 | - | 136,573 | 123,525 | 147,525 | 10,952 |
| Community and Economic Development | 90,236 | - | 90,236 | 30,540 | 50,040 | (40,196) |
| General Government | 94,876 | - | 94,876 | 91,885 | 106,485 | 11,609 |
| Capital Projects | 761,105 | - | 761,105 | 914,998 | 1,397,696 | 636,591 |
| Debt Service | 963,210 | 56,436 | 1,019,646 | 285,500 | 892,157 | (127,489) |
| Business Type / Enterprises | - | 1,855,422 | 1,855,422 | 1,326,913 | 2,226,913 | 371,491 |
| Total Disbursements | 2,381,065 | 1,911,858 | 4,292,923 | 3,123,469 | 5,201,174 | 908,251 |
| Excess (deficiency) of receipts over disbursements | (1,103,295) | 159,387 | (943,908) | (629,977) | (2,576,630) | 1,632,722 |
| Other financing sources (uses): | | | | | | |
| Proceeds from Debt Financing | 1,407,560 | - | 1,407,560 | 650,000 | 1,330,000 | 77,560 |
| Transfers In | 318,549 | 180,434 | 498,983 | 407,670 | 567,403 | (68,420) |
| Transfers (Out) | (458,845) | (40,138) | (498,983) | (407,670) | (567,403) | 68,420 |
| Total other financing sources (uses) | 1,267,264 | 140,296 | 1,407,560 | 650,000 | 1,330,000 | 77,560 |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 163,969 | 299,683 | 463,652 | 20,023 | (1,246,630) | 1,710,282 |
| Balances Beginning of Year | 790,229 | 1,445,164 | 2,235,393 | 2,235,393 | 2,235,393 | - |
| Balances End of Year | \$ 954,198 | \$ 1,744,847 | \$ 2,699,045 | \$ 2,255,416 | \$ 988,763 | \$ 1,710,282 |

CITY OF ALTON, IOWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY REPORTING
JUNE 30, 2010

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the adopted budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budget disbursements by \$2,077,705. The budget amendment is reflected in the final budgeted amounts. Disbursements exceeded budgeted amounts in the Community and Economic Development, and Debt Service functions.

CITY OF ALTON, IOWA
COMBINING SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS AND CHANGES IN CASH BALANCES.
Governmental Nonmajor Funds
For the Year Ended June 30, 2010

| | Special Revenue Funds | | | |
|--|-----------------------|----------------------|------------------------------|----------------|
| | Road Use Tax | Employee Benefits | Local Option Sales Tax | Housing TIF |
| Receipts: | | | | |
| Property Taxes | \$ - | \$ 15,027 | \$ - | \$ - |
| TIF Revenue | - | - | - | 62,678 |
| Intergovernmental | 107,000 | - | 112,859 | - |
| Interest on Investments | - | - | - | - |
| Miscellaneous | - | - | - | - |
| Total Receipts | 107,000 | 15,027 | 112,859 | 62,678 |
| Disbursements: | | | | |
| Public Works | 79,597 | 10,453 | - | - |
| Culture and Recreation | - | 7,191 | - | - |
| Community and Economic Development | - | 5,890 | - | - |
| General Government | - | 19,239 | - | - |
| Capital Outlay | - | - | - | - |
| Total Disbursements | 79,597 | 42,773 | - | - |
| Excess (Deficiency) of Receipts over Disbursements | 27,403 | (27,746) | 112,859 | 62,678 |
| Other financing sources (uses): | | | | |
| Transfers In | - | 51,726 | - | - |
| Transfers Out | (12,286) | - | - | (57,564) |
| Total other financing sources (uses) | (12,286) | 51,726 | - | (57,564) |
| Net Change in Cash Balances | 15,117 | 23,980 | 112,859 | 5,114 |
| Cash Balances Beginning of Year | 64,253 | - | - | 10,046 |
| Cash Balances End of Year | \$ 79,370 | \$ 23,980 | \$ 112,859 | \$ 15,160 |

| Capital Project Funds | | | Total Governmental Nonmajor Funds |
|-----------------------|---------------------------|--------------------|--|
| Parks & Trails | Housing Rehabilitation | Industrial Park | |
| - \$ | - \$ | - \$ | 15,027 |
| - | - | - | 62,678 |
| - | 29,329 | - | 249,188 |
| 76 | - | - | 76 |
| - | 9,469 | 2,200 | 11,669 |
| 76 | 38,798 | 2,200 | 338,638 |
| - | - | - | 90,050 |
| - | - | - | 7,191 |
| - | 750 | - | 6,640 |
| - | - | - | 19,239 |
| - | 29,695 | 2,543 | 32,238 |
| - | 30,445 | 2,543 | 155,358 |
| 76 | 8,353 | (343) | 183,280 |
| 21,181 | 18,414 | - | 91,321 |
| - | - | - | (69,850) |
| 21,181 | 18,414 | - | 21,471 |
| 21,257 | 26,767 | (343) | 204,751 |
| - | 28,892 | 3,501 | 106,692 |
| \$ 21,257 | \$ 55,659 | \$ 3,158 | \$ 311,443 |



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND OTHER MATTERS
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON
AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and
Members of the City Council
City of Alton
Alton, Iowa

We have audited the financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of the City of Alton, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City of Alton's basic financial statements listed in the table of contents and have issued our report thereon dated December 7, 2010. The financial statements were prepared on the cash basis of accounting which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered the City of Alton's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Alton's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Alton's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items II-A-10 and II-B-10 to be material weaknesses.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the City of Alton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contract and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we

noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Alton's responses to findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the City of Alton's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Alton and other parties to whom the City of Alton may report. This report is not intended to be used and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of the City of Alton during the course of our audit. If you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.


Certified Public Accountants

Le Mars, Iowa
December 7, 2010

**CITY OF ALTON, IOWA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010**

Part I – Summary of the Independent Auditor’s Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II – Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

II-A-10 Financial Accounting – Segregation of Duties

Observation – The City accountant is involved in almost all phases of the finance operations, including check preparation, preparation of journal entries, as well as financial reporting and statements.

Recommendation – With a limited number of personnel, segregation of duties is difficult. The City should implement management review procedures which we feel would aid in improving the internal control of the City.

Response – The City feels that additional personnel would not be cost effective. However, management will monitor transactions on a regular basis.

Conclusion – Response accepted.

II-B-10 Financial Reporting

Observation – During the audit, we identified payroll, transfers, and bond issuance transactions not recorded properly in the general ledger.

Recommendation – With limited personnel, the City should implement procedures to ensure that all cash disbursements are properly identified and recorded in the financial statements.

Response – The City will double check disbursements in the future to ensure that they are properly recorded in the financial statements.

Conclusion – Response accepted.

CITY OF ALTON, IOWA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

Part III – Other Findings Related to Statutory Reporting

III-A-10 Certified Budget – Disbursements during the year ended June 30, 2010 exceeded the amounts budgeted in the Community and Economic Development, and Debt Service functions.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

III-B-10 Questionable Disbursement – We noted no disbursements that did not meet the requirements of public purpose as defined in the Attorney General's Opinion dated April 25, 1979.

III-C-10 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-10 Business Transactions – There were no business transactions between the City and City officials or employees noted.

III-E-10 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

III-F-10 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

III-G-10 Revenue Notes – The City was in compliance with the requirements of its revenue notes.

III-H-10 Deposits and Investments – No instances of noncompliance with deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policies were noted.